

RULES AND PUBLIC POLICY COMMITTEE

DATE: July 28, 2009

CALLED TO ORDER: 5:38 p.m.

ADJOURNED: 9:46 p.m.

ATTENDANCE

ATTENDING MEMBERS

Robert Lutz, Chairman
Bob Cockrum
Barbara Malone
Angela Mansfield
Marilyn Pfisterer
Lincoln Plowman

ABSENT MEMBERS

Monroe Gray
Joanne Sanders

AGENDA

PROPOSAL NO. 255, 2009 - approves a public purpose grant to the University of Indianapolis in the amount of \$33,276 for the purpose of enabling the Educational Television Cooperative to purchase a video server for the purposes of programming delivery

"Do Pass"

Vote 5-0

PROPOSAL NO. 285, 2009 - adopts the provisions for financing the continuing operations of the Capital Improvements Board of Marion County as authorized by House Enrolled Act 1001 of the 2009 Special Session of the Indiana General Assembly

"Do Pass as Amended"

Vote 5-1

PROPOSAL NO. 256, 2009 - calls upon the hospitality industry to reduce the negative impact of outsourcing jobs on the community

"Postponed"

Vote 5-0

PROPOSAL NO. 290, 2009 - amends Sec. 151-68 of the Council Rules to reflect legislative changes

"Do Pass"

Vote 6-0

RULES AND PUBLIC POLICY COMMITTEE

The Rules and Public Policy Committee of the City-County Council met on Tuesday, July 28, 2009. Chairman Robert Lutz called the meeting to order at 5:38 p.m. with the following members present: Bob Cockrum, Barbara Malone, Marilyn Pfisterer and Lincoln Plowman. Angela Mansfield arrived shortly thereafter. Monroe Gray and Joanne Sanders were absent. General Counsel Robert G. Elrod and Chief Financial Officer (CFO) Jim Steele represented Council staff. Also in attendance were Councillors Ed Coleman, Jose Evans, Benjamin Hunter, Maggie Lewis, Dane Mahern, Janice McHenry, Doris Minton-McNeill and Christine Scales.

Chairman Lutz asked the Committee members, as well as the visiting Councillors to introduce themselves and indicate which Council district they represent.

Councillor Lutz asked for consent to move Proposal No. 256, 2009 up on the agenda. Consent was given.

PROPOSAL NO. 256, 2009 - calls upon the hospitality industry to reduce the negative impact of outsourcing jobs on the community

Councillor Plowman moved, seconded by Councillor Pfisterer, to Postpone Proposal No. 256, 2009 until the next regularly scheduled meeting. The motion carried by a vote of 5-0.

PROPOSAL NO. 255, 2009 - approves a public purpose grant to the University of Indianapolis in the amount of \$33,276 for the purpose of enabling the Educational Television Cooperative to purchase a video server for the purposes of programming delivery

Rick Maultra, Director, Telecom and Video Services Agency, said the money for this grant is coming from the dedicated Public Purpose Grant fund that has been established under the 1996 local franchise agreements. He said the video providers contributed a certain amount of money into the dedicated fund, which is used to purchase capital equipment for educational and government access television. Mr. Maultra said the current balance of the fund is about \$130,000, and it is anticipated that \$33,000 will be needed for the server. The University of Indianapolis is the fiscal agent for the Educational Television Cooperative, and they have to have the money secured before the server can be put out for bid. He said the current video server that does the educational programming for the community is on its last leg, and parts for the server are no longer available. He added that this is a revenue neutral item.

Councillor Lutz asked if the cable operators are required to fund this, and therefore, does not include taxpayer money. Mr. Maultra answered in the affirmative, and stated

that this money is rolled over from the local franchise agreement language to keep the fund sustainable. However, the fund is dwindling because there has not been any additional money received under the state franchise law.

Councillor Pfisterer asked if this will be compatible with the new digital universe. Mr. Maultra answered in the affirmative.

Councillor Cockrum moved, seconded by Councillor Malone, to forward Proposal No. 255, 2009 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 5-0.

PROPOSAL NO. 285, 2009 - adopts the provisions for financing the continuing operations of the Capital Improvements Board of Marion County as authorized by House Enrolled Act 1001 of the 2009 Special Session of the Indiana General Assembly

David Reynolds, City Controller, said that Section 1 of the proposal is the expansion of the Professional Sports Development Area (PSDA), which generates approximately \$8 million per year and will capture the sales and income taxes that are generated within the geographic expansion. He said this expansion picks up three existing hotels: the Marriott, the Westin and the Hyatt; and a future hotel: the J.W. Marriott. Mr. Reynolds said that the revenue generated by this area would normally go to the State, but would instead be diverted to the Capital Improvements Board (CIB) for operating funds. He said that Section 1 also includes authorization for the CIB to enter into operational borrowing of \$9 million per year from the State. This borrowing has been authorized through the General Assembly for three years, beginning in 2009. He said this particular proposal gives the CIB authority to enter into that borrowing in 2009, and the future borrowings will be included in CIB's budget proposal.

Mr. Reynolds said that Section 2 of the proposal raises the innkeeper's tax from 9% to 10% throughout Marion County, and generates approximately \$4 million. The funds would then go to the CIB's operating budget. Therefore, the proposal generates a total of about \$21 million per year for the CIB, beginning in 2009. He said the innkeeper's tax will take effect in either September or October of 2009, depending on when the proposal is passed by the Council.

Jim Steele introduced Ann Lathrop, CIB Treasurer, and stated that Ms. Lathrop will discuss CIB's existing budget for 2009 and 2010, and said that he will go over the projections for 2011 and 2012. Ms. Lathrop discussed the Fund Balance Projection sheet (attached as Exhibit A). She said Exhibit A begins with 2008, which includes the actual revenues and expenditures for the CIB. She said the 2008 numbers represent the CIB's operation of the Lucas Oil Stadium, beginning in August of 2008. Ms. Lathrop said that the 2009 numbers are the actual amounts that have been incurred for revenue and expenses through June of 2009, and the anticipated collections and expenses for

the second six months of 2009. She said these amounts will also be included in their 2010 budget submission.

Ms. Lathrop went through the revenues and expenses (as detailed in Exhibit A) for 2009 and 2010. Her discussion included the following key points:

- 2009 Revenues
 - PSDA
 - The first line under revenues for 2009 shows an anticipated increase in the PSDA revenue from \$8 million to \$14 million, which includes the additional \$8 million that is referred to in Proposal 285, 2009.
 - Hotel Motel Tax
 - The 1% innkeepers tax increase is also included for one month of 2009, based on a delay in receiving the funds from the State.
 - Overall, the hotel taxes decreased year over year in 2008 by 3.3%, and are down 15.4% for the first six months of 2009. They have taken these decreases and the impact of the economy into account in looking at the projections.
 - Food and beverage taxes
 - The decrease from 2008 to 2009 is due to economic downturns. This is the same for the admissions tax and the auto rental tax.
 - Cigarette
 - This is a fixed number of \$350,000.
 - Other
 - The CIB looked at past history and created consistency within the revised budget numbers for 2009.
 - New State loan
 - This is the \$9 million loan that Mr. Reynolds discussed.
 - Old State loan
 - This is a repayment on a loan that the CIB received from the state treasurer in July of 2008, due to the need to terminate a swap that was entered into in 2005.
- 2009 Expenses
 - Current operating
 - Anticipating operating expenses of \$61 million to operate the CIB in 2009, which will be a reflection of \$17 million in cuts from the approved 2009 budget.
 - \$17 million in cuts is not an overly sustainable number, so these numbers will increase after 2009.
 - Almost \$13 million of those cuts have been identified and announced, and an additional \$2 million in cuts will be proposed at the CIB's board meeting in August.
 - The source of the additional \$2 million in cuts has not yet been identified.

- Capital
 - Only \$1 million of spending is being anticipated, which shows that the CIB is really cutting to the bone.
- The CIB will be left with a \$25 million fund balance at the end of 2009.
- 2010 Revenues
 - All of the revenues are anticipated to remain flat, except the innkeeper's tax.
 - The 2010 innkeeper's tax amount reflects a full year at the 1% increase.
- 2010 Expenses
 - It is anticipated that the operating expenses will remain flat, except additional dollars need to be added into the capital budget.
 - The capital budget has been increased to a little more than \$3 million.
 - Total capital budget will go from \$61 million to \$63 million.
 - Possibly the largest part of the increasing capital will be approximately \$1.4 million worth of carpet that will need to be replaced in the old Convention Center to match the new Convention Center.
- The CIB will be left with a \$21 million fund balance at the end of 2010.

Mr. Steele discussed the projections for 2011 and 2012. He said it is anticipated that the expansion of the Convention Center will open in January of 2011. Some provisions have been made to the income and expenditure projections. They include:

- Revenues
 - PSDA
 - A 1% increase in revenues is anticipated in 2011 and 2012.
 - Hotel motel tax
 - A 3% increase in revenues is anticipated in 2011 and a 5% increase in 2012. These same amounts are also anticipated for the food and beverage tax.
 - Admissions
 - 1% increase is anticipated each year.
 - Auto rental
 - a 1% increase is anticipated in 2011 and a 2% increase in 2012.
 - A very small portion of the increase in 2012 is related to the fact that the City will be hosting the 2012 Super Bowl.
 - Other revenues
 - Rental, food services and labor reimbursement
 - A total increase of 28% is anticipated in 2011 and 20% in 2012.
 - The remaining other revenues remain the same.
- Expenses
 - Current operating

- A \$5 million increase is anticipated in 2011 when the expansion is complete.
- A 3% increase above the 2011 total is anticipated for 2012.
 - The expansion gives the CIB approximately 70% more space to lease out, but they are not anticipating a 70% increase in revenue.
- The fund balance projections decline to \$17.8 million in 2011, and then there is a significant decline to \$9.5 million in 2012.
 - The significant decline in 2012 is due to the fact that the loan from the State is only for a three-year period, so there will be no proceeds from that loan in 2012.
 - There is no interest required to be paid on the loan until 2013, which is also the time at which the CIB will be required to begin making repayments on the loan.

[Clerk's note: Councillor Mansfield arrived at 5:57 p.m.]

Councillor Lutz asked how the decrease in revenues Ms. Lathrop spoke of compare to convention centers in other cities. Ms. Lathrop said that she does not have a national comparison, but the numbers seem to be comparable. She said that Indianapolis probably has an advantage because we are known to be more of a destination than a luxury hotspot. She said that only one convention has cancelled due to the economic conditions, but attendance has been down. Councillor Lutz asked how long Ms. Lathrop has been on the board. Ms. Lathrop answered that she was appointed in January of 2008.

Councillor Cockrum asked Ms. Lathrop to talk about the assumptions that she has made in the projections. For example, he does not see anything about the \$15 million for the Pacers that the Council has been hearing about. Ms. Lathrop said that the projections in Exhibit A indicate that the CIB has expenditures for everything that they are contractually required to do at the present time. It does not include things that could exist as a result of taking on some additional expenses at Conseco Fieldhouse or additional funding that has been requested from the Indianapolis Convention and Visitor's Association (ICVA)

Councillor Hunter said that the debt service, under expenses, was not discussed. Ms. Lathrop said that because the new state treasurer loan does not kick in until 2013, the debt service amounts are prescribed by the CIB's current repayment schedule and does not assume that new borrowings will be taken on. However, the amounts listed under debt service should be included in the overall expenditures for each year.

Chairman Lutz said that the State Legislature sends the City a list of things that are allowed. He asked if the City would not receive any other funding if the innkeeper's tax is not increased to the maximum amount. Ms. Lathrop answered in the affirmative. Chairman Lutz said he is concerned that even with the amount that the State will give

the City, the fund balance is still decreasing each year, because the State is providing the City with a short-term solution. Mr. Reynolds said that they were working with the General Assembly in January to look for a long-term solution to this issue and make sure that the City would not have to go back through these same negotiations. He said that, though the proposal may not have met the City's complete request, the State felt that it was a plan that continues to allow the CIB to operate. He said there are quite a few answers that need to be answered as the CIB moves forward into 2010, 2011 and 2012. Mr. Reynolds said there are still many things that could positively or negatively impact these projections and the CIB will just have to manage.

Chairman Lutz asked how the innkeeper's tax affects Marion County residents. Mr. Reynolds answered that it can be viewed as a visitor's tax, as it is a tax that is paid by anyone that purchases a room within Marion County. Therefore, it will only affect Marion County residents that are staying in hotels in the City. Mr. Steele added that under the provisions of HB1001 without the financing for the CIB, the City will not receive the \$8 million for the PSDA or the \$9 million, and the fund balances will be in the negative by 2010. Councillor Lutz said that he is concerned about the City borrowing \$9 million to get out of a hole. Mr. Steele said it is not a good option, but it is the only one the CIB has.

Councillor Plowman said he has received several e-mails about this proposal. He said many people, including the Marion County Alliance of Neighborhood Associations (MCANA), as well as others, would like an independent audit by someone who is not involved in the process. Mr. Steele said that there is an independent, outside audit done on the CIB annually by a creditable accounting firm that costs the CIB approximately \$100,000 per year. As part of the legislation that was passed by the State, an audit by the State Board of Accounts is required in addition to the current outside audit. Ms. Lathrop said they have also received approval from the State Board of Accounts for several years to have that outside auditor perform the audits. She said they also provide the State Board of Accounts with copies of their audit reports.

Chairman Lutz said that he also understands that another provision of the legislation requires that all of the terms of CIB Board members expire in January of 2010. Mr. Reynolds said that is correct.

Councillor Scales said she also received many emails and she believes that they were requesting something outside of the regular external audit. She said she believes they were requesting a forensic audit, which she understands is conducted differently. Ms. Lathrop said that she is not an expert in the area of forensic audits and would need further dialogue to address that comment.

Councillor Pfisterer said that there is a lot of reservation due to the enormity of what is being presented to the Committee. She asked Mr. Steele to explain the PSDA. Mr. Steele said that the PSDA is an area downtown that includes the facilities owned by the CIB and will be expanded to include some hotels and other places outside of the area.

Councillor Pfisterer asked if people can find out what the PSDA boundaries are currently and what they would be under the expansion. Mr. Reynolds said he is unsure if there is a place on the web where people can obtain that information, but it is stated in State Statute. He said that the existing PSDA includes Victory Field, Lucas Oil Stadium, the Convention Center, the Colts Training Center and Conseco Fieldhouse. He said the PSDA captures the revenues that are generated by these venues and keeps it from going to the State. Mr. Reynolds said that when the PSDA was initially set up, there was a \$5 million cap, which went to the CIB to provide debt service for Conseco Fieldhouse. The cap was raised to \$16 million when the Lucas oil Stadium was built, \$11 million of which goes to the Indiana State Stadium Authority and finances the construction of the Lucas Oil Stadium and expansion of the Convention Center. Mr. Reynolds said the expansion of the PSDA will encompass the four hotels that he previously mentioned. Any state income and sales tax generated within those four hotels up to a maximum of \$8 million will be diverted from state revenue and given to the CIB for operating.

Councillor Pfisterer asked if the \$11 million went back to the State to make payments on the bonds for building the Lucas Oil Stadium. Mr. Reynolds answered in the affirmative. Councillor Pfisterer asked if any money was dedicated to everyday maintenance and operation of the building. Mr. Reynolds answered in the negative, and stated that when the Stadium Authority was formed, the decision was made that the operating needs for Lucas Oil Stadium would be determined upon its opening.

Councillor Mansfield said that this is obviously the only option that the State has given the City, but it is clearly not a solution. She said that the innkeeper's tax does impact the City's businesses and residents. For example, some businesses have conferences for their employees and some are from out-of-state. Those businesses would have to pay the extra costs for that. Also, residents will have to pay for out-of-town guests for things such as weddings. She said that it is unfair to tax Marion County residents even more, as they already pay more than any other county in Indiana. She said that anytime a resident stays at a hotel, they will have to absorb that tax. She said she believes that there could be another solution to this problem. Councillor Mansfield urged the State to come back to the City with a true, good faith solution. She said there are thousands of people who come into this community and earn wages, but the tax on most wages go to the community in which they live. She said that is a significant amount of lost revenue to Marion County. She said there is also a problem with sales tax, as Marion County raises a significant amount of sales tax, but only 40% is retained by the County. Councillor Mansfield stated, in addition to those issues, there is significant amount of tax exempt properties that are all around the State of Indiana, which also creates a burden on the taxpayers. She said she is troubled that the State has not really come up with a solution to a problem that she believes they created when they decided how the stadium and Convention Center would be handled. Chairman Lutz agreed with Councillor Mansfield.

Councillor Hunter asked why he should agree to a tax increase for the CIB when he voted against their 2009 budget, because during that process, it was stated that the CIB could not cut anymore of their budget. However, now they are before the Committee stating that they cut another \$13 million. He said that he fully understands that the CIB did not create this situation, but he does not understand why the CIB does not charge back NFL teams for all of the police protection and escorts. He asked if the CIB has honestly cut to the bone or if they are paying premium contracts. Barney Levensgood, Executive Director, CIB, said the CIB continuously looks for ways to reduce costs. Recently, they have cut out all of the promotion, advertising, travel, hiring freezes and overnight deliveries. He said they have also began using emergency lighting to reduce expenses, as well as providing flu shots to employees to keep down health care costs and their absentee rate. Mr. Levensgood said they have basically stopped everything possible, even when it comes to supplies and maintenance, landscaping, outside counsel, etc. He said they will continue to look for other ways to cut costs without affecting the customers.

Mr. Reynolds said that many of the things that have been cut out of CIB's 2009 budget are things that market the City. He said cutting back too much will hurt the City and the line of business that provides the most opportunity. He said this is a State of Indiana issue, not just Marion County. He said that he would argue that this is the engine that drives a large piece of the State's economy. He said there are possibly other reductions that can occur, but caution needs to be taken in making those cuts so that they are not to the City's detriment.

Chairman Lutz said that maybe there should be some cuts to some of the things that are done for persons in other parts of Indiana, as impacting Marion County's ability to earn money through these types of facilities also impacts what the other counties receive. He said that he is greatly concerned with the reduction of costs and marketing. He said that he has previously voted against CIB's budget because he felt that the operating expenses were not properly shown and that the operating expenses and the revenue stream were underestimated. He asked what Mr. Levensgood believes will happen if this proposal is not adopted and who is paying for the construction of the expanded Convention Center. Mr. Reynolds answered that the Indiana Stadium Authority is paying for the expansion. Mr. Levensgood said if the proposal is not adopted, it will severely impact the CIB's ability to develop future businesses and service its current businesses. He said the vast array of services that they currently provide will also diminish and they may have to wind down the business.

Councillor Hunter asked if there is an opportunity to reopen the current vendor contracts to look at more competitive vendors. Ms. Lathrop said those contracts are put up for bid in many cases. Mr. Levensgood said that is part of what is driving the numbers down. He said the problem is that everyone is in a bad situation with the economy. He said he and his staff continue to look at ways to cut back on all expenses.

Councillor Plowman said that the budget reductions indicate \$17 million for 2009. He asked how long the CIB believes those cuts can be sustained. Ms. Lathrop stated that they have anticipated that their operating expenses will be \$63 million in their 2010 budget, so they are already putting \$2 million back in to sustain the cuts. She said they will continue to have challenges with keeping the expenditures as low as they have projected.

Councillor Plowman asked what Mr. Levensgood meant by "wind the business down." Mr. Levensgood answered that there are many ways to provide less services. He said that the CIB has a multitude of contracts in place and they will look at what can be done to prolong the services that they provide to the most clients and to gain the most return on those investments. He said it may eventually lead to the inability to service a customer. Councillor Plowman asked if this means that people will not be able to utilize the businesses such as the Convention Center or Lucas Oil Stadium. Ms. Lathrop said that there is no definite answer to that, but they will have to look at each individual contract to see how they can cut back. Mr. Reynolds added that they are hoping that the Council will pass this so that the CIB may continue to operate. Chairman Lutz said that the CIB will likely have to come back before the Committee in two or three years with the same problem.

Councillor Minton-McNeill asked if any discussion or deals have been made with the Pacers. Ms. Lathrop answered that they are continuing to have conversations with the Pacers, but have not entered into any new contract negotiations.

Councillor Pfisterer said that this situation has arisen from the contract that was signed in 2005 for building the stadium and funding its operations. She asked if there are any current members of the CIB that were on the board at that time. Ms. Lathrop answered that there are a few members still on the board.

Councillor Coleman asked if the Pacers have asked for \$15 million. Ms. Lathrop answered that the \$15 million Councillor Coleman is referring to was actually to take over some Conseco operating expenses and would not go directly to the Pacers. She said that the Pacers have not given a formal request for that amount. Councillor Coleman asked if the Pacers are currently fulfilling their contractual obligations with the City. Mr. Levensgood answered in the affirmative.

The following persons spoke in support of the proposal:

John Livengood, President, Indiana Hotel and Lodging Association and Indiana Restaurant Association; Phil Ray, General Manager, Omni Severin Hotel and President, Greater Indianapolis Hotel Lodging Association (GIHLA); and John Krause, Director, IU Public Policy Institute. Their comments included the following key points:

- Mr. Livengood said that both organizations that he is with provide a total of about 80% of the funding for the CIB.
- The Convention Center and the business it attracts is an important revenue source.
- The agreements and contracts made by previous administrations cannot be undone, so the choice must be made to move forward.
- There were many proposals offered to fix this problem, but this is the solution that the General Assembly chose.
- Currently, there is a 9% hotel tax and a 7% general sales tax for a combined tax of 16%, which will make Marion County have one of the highest hotel tax rates in the country.
- A "no" vote will not provide any funding to the CIB and the County will still have one of the highest hotel tax rates in the country.
- The cost of not approving this would be disastrous to the local economy, thousands of jobs and thousands of businesses, including small businesses.
- This proposal is about maintaining jobs for the hotel industry.
- The way to fix this situation is to drive more revenues and more tax dollars into the community.
- According to the American Hotel Lodging Association, when taxes are raised, business will be lost; however, business can be regained if that money is used to market.
- Hopefully, the expansion of the Convention Center will bring in more conventions that will continue to push business to suburban and airport hotels, as well as the downtown hotels.
- The more successful the ICVA is, the more successful hotels will be.
- Investment needs to be made in the downtown area.
 - The City must have an atmosphere that is conducive so that companies put their capital at risk, and those companies expect a good rate of return for their capital.
 - The City must have an atmosphere that is good to raise families, to attract tourism and to have conventions.

Councillor Minton-McNeill asked Mr. Livengood to explain a previous statement that he made, "Raising hospitality taxes would make it harder to bring in new convention businesses. At a time when we might be able to pick up some business in this economy to make us number one would be a terrible mistake. We need to promote our way out of this problem." Mr. Livengood said that was their preferred way to do this, and he still believes that promotion is an important part of where the City should be going. If the ICVA is not adequately funded to promote and market Indianapolis and have a product that can be sold, the economy would be hurt. However, the only way that the City can be promoted and marketed with the choice that the Legislature has given, is to accept the fact that the tax increase must be done. He said that no one else has offered an alternate solution.

Chairman Lutz asked how the City compares nationally in looking at the hotel tax along with the room rate. Mr. Livengood said that there is an argument that because the City's room rates are lower, that it somewhat mitigates the problem. However, that may only be true in the short run. Keeping hotel rates low will not help the economy either, because that hurts employees and businesses.

Councillor Lewis asked if Mr. Livengood is concerned with losing business due to the difference in hotel taxes from Marion County when compared to other counties. Mr. Livengood answered that he is concerned, but the alternative of closing down convention centers is a bigger concern. He said it is important that the ICVA have the ability to promote more leisure and small meeting business in the hotels and to continue bringing conventions to Indianapolis.

Councillor Minton-McNeill asked what would happen if the CIB were to file bankruptcy. Mr. Livengood answered that he does not know the answer to that question. He said it is difficult to say, because half of Lucas Oil Stadium and the Convention Center is owned by the State. He said that he believes the alternative choices would not be good, as it would probably require the City to come up with ways to operate the facilities, which could consist of asking Marion County taxpayers to come up with the funds.

Councillor McHenry asked if the 1% sales tax will include all of the hotels in Marion County. Mr. Livengood answered in the affirmative. Councillor McHenry asked if Indianapolis will only get that amount from the four hotels in the PSDA. Mr. Livengood answered that the CIB will get it from all those hotels. Mr. Reynolds added that the CIB will get all of the innkeeper's tax, plus the \$8 million from the sales and income of the four hotels within the PSDA.

Mr. Livengood said that he also believes that there is authorization of an auto tax and admissions tax increase included in this legislation, but those cannot be implemented until 2013.

Councillor Lutz asked Mr. Ray how many people work in the hospitality industry within Marion County. Mr. Ray answered that there are 66,000 associates within the hospitality industry, and over 200 people work at the Omni Severin Hotel.

Councillor Pfisterer asked Mr. Ray if he is aware of how many of those workers live outside of Marion County. Mr. Ray answered that close to 80% of his workers live and work in Marion County.

Councillor Hunter asked if, of the 66,000 employees, they are the income generator in their family. Mr. Ray answered that he does not have data on that, but many of them are entry level jobs and they provide a lot of employment opportunities for persons who are having trouble finding work. Councillor Hunter asked Mr. Steele or Mr. Reynolds if bankruptcy is an option and if it would hurt the City's bond rating. Mr. Steele answered

that it would hurt the City's bond rating, and it would also impact all other units in Marion County, because there would be a spillover impact to the bonds in the City of Indianapolis and Marion County. He said that it is not an option.

Councillor Lutz asked if it is true for a governmental entity to seek protection of the bankruptcy code, there has to be authority in state law to allow them to do so, and to his understanding, the Department of Local Government and Finance (DLGF) requires the City to fund debt service. Mr. Elrod said that he does not believe that to be a fact, but there has been some suggestion that there has to be state permission. He said another part of that is whether or not a governmental entity can voluntarily file bankruptcy or if the creditors can force that entity into bankruptcy.

Councillor Coleman said if this does not pass, the CIB will run out of money by 2010. He asked why the City does not file bankruptcy for the purposes of renegotiating some of their bad contracts. He said that he is not suggesting that the CIB file bankruptcy and get rid of the CIB. Mr. Ray said that he believes if the CIB decides to go bankrupt that it will be very detrimental to the ability to book future city-wide conventions, final fours and super bowls.

Councillor Mansfield said that she does not see bankruptcy as a viable option, because it opens the City up to the determination of the courts, which could result in a much worse situation.

Councillor Scales said they do not like the hand they have been dealt, and she asked if a short-term solution could be considered in terms of a loan that could cover the City for a year to cover the operating costs. Mr. Reynolds answered that the General Assembly made it clear that they were not interested in the City coming back to them with a different proposal. He said failure of the proposal would stop the expansion of the PSDA and the \$9 million option would no longer be made available to the City.

Mr. Ray said that the hospitality industry would like to see the City roll back and sunset the tax so that the City can stay competitive. Councillor Lutz said he asked Mr. Elrod to research that idea, as he noticed that the original sunset language has been stricken in Section 121-204 of the current municipal code. Mr. Elrod said that he believes that there are three considerations that suggest that this would be dangerous: one is that the statute does not authorize the City to sunset the provision of the additional 1%; the second is that the act states that the City can rescind the tax sometime in the future, but it is questionable as to what effect this would have; and the third is that this can be considered questionable, because if the tax is not passed, then the loan and the PSDA expansion will not happen. Mr. Elrod said for these reasons, he feels that it is risky to put a sunset provision into the tax rate increase. Mr. Reynolds said that he raised this issue with Mark Mertz, Corporation Counsel, and his answer was that dates still stand in statute, because the statute did not rescind the dates even though the City is striking that language. Mr. Reynolds said that he will request that Mr. Mertz forward something in writing to the Council stating that.

Councillor Plowman said the Committee has some tough decisions to make, and he believes that downtown Indianapolis is viable to Marion County and the State of Indiana. He asked if there is a time when the cost is too much to bear, and when the cost outweighs the benefit. Mr. Krause said that you have to look at the investment, and he understands the Councillor's desire in trying to protect the taxpayers, but there are no simple answers. He said the challenge is to use this as an opportunity to determine how to tap into the economy and take those questions to the General Assembly in the future.

Chairman Lutz asked Mr. Krause how he believes Circle Center Mall would be affected by this issue. Mr. Krause answered that he does not believe that Circle Center Mall would survive without the convention and tourism business coming in downtown. He said that downtown is like a puzzle, as each of the pieces interlock with one another.

Chairman Lutz said that he asked Dr. Jerry Conover, Director, IU Indiana Business Research Center, to look over all of the information provided to give an objective opinion. Dr. Conover put together an objective view and analysis of the economic impact of the Convention Center (attached as exhibit B). Dr. Conover said the necessary data to conduct the analysis was not available, so they had to rely on already available information from a number of sources. Dr. Conover went over the information included in Exhibit B, and stated that the report only looks at the effects of the convention center operations. Dr. Conover discussed the following key points of the report:

- The numbers in the report are based on the data available, and the industry patterns that exist between any one industry and another industry that the first one buys things from.
- The Convention Center buys services such as elevator and escalator services, employee services and accounting services, as well as the goods it uses and the things that go into its operations.
- People who come to Marion County because of a convention spend their money on hotels, restaurants, shopping and entertainment.
- A little over \$500 billion in spending by convention visitors takes place annually, which supports about 6,000 jobs in the local economy.
 - For every five of those 6,000 jobs, another job is created by business-to-business spending, where companies that receive payments from the Convention Center and/or from the visitors in turn spend through other businesses.
 - There is a total jobs impact of a little over 7,400 jobs in America that can be attributed to the operation of the Convention Center.

Chairman Lutz asked if this only includes the businesses geographically located in the center of the City. Dr. Conover answered in the affirmative, and stated that they did not really have the means to analyze the impacts in different parts of the City.

Dr. Conover continued his presentation:

- Tax affects of visitor spending was also estimated.
 - Putting together sales taxes from residents and visitors, property taxes, and state and county income taxes result in about \$38 million.
- Currently, the total attendance at events is about 835,000 people. This will increase to closer to a million people by the time the new Convention Center is opened.
- The projections that took into account the future expanded impact of the Convention Center only included the business that is currently booked.
 - These bookings go beyond the year 2020.

Councillor Mansfield said that Table 4 of Exhibit B shows an estimated total state and local tax impact of \$38 million. She asked if that includes sales tax of which the local unit does not see the benefits, as well as county income tax that will go to other counties if an employee lives in another county. Dr. Conover said that it is assumed, as the estimates are based on an econometric model, which does not collect data specifically for this county and terms of the tax rate.

[Clerk's note: Councillor Lutz called for a ten minute recess at 7:42 p.m.]

The following additional persons spoke in support of the proposal: Tom O'Donnell, President of Central Indiana Building Trades Council, Business Manager of Local 481; Tammy Jones, Senior Vice President of Policy and Planning, Greater Indianapolis Chamber of Commerce; Tamara Zahn, President, Indianapolis Downtown Inc. (IDI); Susan Williams, President, Indiana Sports Corporation (ISC); Their comments included the following key points:

- If the current CIB funding issue is not resolved, the outlook for the construction industry will be bleak.
 - The union construction industry has partnered with every mayor from former Mayor Hudnut to Mayor Ballard to ensure a vibrant downtown.
 - Projects such as the Convention Center, Conseco Fieldhouse, the RCA Dome, the Lucas Oil Stadium, and the new expansion of the Convention Center have led to millions of dollars in private money invested in Indianapolis.
 - Close to 1,400 men and women worked on the Lucas Oil Stadium project during peak construction, and all other facilities provided work for the men and women in the construction industry.
- Indianapolis has been established as a world class city, and missing the opportunity to act on this will set Indianapolis back on the progress that has been made over the last four decades.
- This will affect out-of-town guests as opposed to Marion County constituents and is essential to the future success of downtown Indianapolis.

- Downtown Indianapolis is the leisure destination for Indianapolis, because it includes a host of restaurants, shops, museums, sports, arts, performances and cultural amenities that are very attractive and provide a quality of life that are unmatched with other cities of its size.
- Downtown would not be what it is without the facilities that the CIB manages.
 - Out-of-town visitors account for approximately 50% of revenue for many of the restaurants and shops in the downtown area.
- Indianapolis has a reputation of having staff at all of our venues that have extraordinary talent and volunteers that have amazing strength and experience.
 - The volunteer force of Indianapolis is nearly 8,000 people strong.
- Downtown Indianapolis is known for its layout, convenience, walkability and vibrancy.
- Indianapolis has been awarded the Men's 2015 and Women's 2016 Final Fours, which together will bring in \$60 million of visitor spending and \$5 million in tax revenues.
 - Indianapolis will host the 2012 Super Bowl as well.
 - Event holders must be confident that Indianapolis will be equipped to handle these events and ready for business beyond 2012.

Councillor Pfisterer asked if Mr. O'Donnell has an estimate of how many people in the construction industry work in Marion County, but live outside of the County. Mr. O'Donnell said that 13,000 of the 25,000 members of the Building Trades Council live in Marion County, but some of them may work outside of the County because many of them work in more than one area. She said that she is trying to make the point that there are many people who work in Marion County, but do not live in Marion County, so this problem needs to be fixed as a region. Mr. O'Donnell agreed and said that unfortunately, this cannot be done at this time because that is not before the Committee. But it is important to this be fixed at the level that is possible now.

Councillor Malone said that she believes that the construction business in Indianapolis is at a standstill right now. She asked Mr. O'Donnell what his industry would gain from this particular tax increase or the maintenance of the CIB. Mr. O'Donnell's answered that their benefit would be the continuation of growth in downtown Indianapolis.

Councillor Mahern said that there is a lot of history with the things that have been done with downtown Indianapolis. However, he said this is seems to be more of a case in which the State is not giving back the money that the County receives. He said he is concerned that there is no discussion of increasing the pay for the hotel workers. He asked how the Chamber feels that the City can move forward on this when it is not a good solution. Ms. Jones answered that this is the right solution because it is the only solution at this time. She said that they advocated for a regional solution during the regular session, and they will continue to do so.

Councillor Coleman asked how much money IDI receives from the CIB. Ms. Zahn answered that IDI receives no money from the CIB.

Councillor Mahern said that many cities across the country are experiencing cut backs in travel due to the economy. He said he does not believe that all of the questions have been answered, and he asked how much longer can the citizens of Marion County be expected to carry the entire state. He said this can affect more than just the jobs in downtown.

Sean Shepard, Libertarian Party of Marion County, Pike Township resident, spoke in opposition to the proposal with the following key points:

- This issue must be considered within the scope of what is a legitimate function of government, as it has been suggested that the purpose of the law is to protect the rights of the people.
- The purpose of the CIB seems to primarily be engaged in operating businesses, but should be privately operated.
- He is unsure of how the ICVA is compensated, but most of the time payment is received when a profit is successfully sold in any other sales organizations. This may need to be restructured.
- The City should consider selling the city-owned golf courses as a way to generate revenue to cover the short-term situation.
- Private entities need to be separated from the public trough and the City should begin to say no to the sports franchises, because they operate more like a monopoly.

Don Welsh, President and CEO, ICVA, discussed ICVA's role with the CIB. His presentation is attached as Exhibit C. Mr. Walsh cited the information provided in Exhibit C and his key points were:

- Indianapolis, in terms of facilities, is incredible and there is an incredible level of service and commitment by the people who look after other people.
- Tourism and hospitality is not economic development.
 - The mission of the ICVA is to promote these things through economic development.
- The goal of the ICVA is to bring the increase visitors to Indianapolis for leisure, business and conventions.
- The data of what the City has become is as of 2006.
- The 525,000 room-night capacity is a correlation between the size of the buildings now versus the size they will be later.
- The City's 2008 Leisure results are primarily for June, July and August, and are due to the great assets that Indianapolis has and a \$1 million media buy to promote things such as the Indianapolis Zoo, the Indianapolis Museum of Art (IMA) and other destination spots.
- Indianapolis is constantly raising the bar or raising the game
 - The City has a great Convention Center, a great Airport and great hotels, but they continue to make them better.

[Clerk's note: Mr. Welsh also showed a video of the old Indianapolis, before all of the economic development.)

- The updates are the type of things that allow the City to attract the Super Bowl, to get Final Fours and to have the King Tut exhibition at the Children's Museum.
- Game elevation
 - Indianapolis International Airport
 - This is the first new airport since the 9/11 disaster.
 - Air lift needs to be increased.
 - Lucas Oil Stadium
 - This is a multi-use facility in terms of exhibitions and athletic events.
 - According to the FDIC, the revenue to the Lucas Oil Stadium and Convention Center generated \$1,440,732 in 2009.
 - Indiana Convention Center
 - The first group will be welcomed into the Convention Center expansion in January of 2011.
 - The ICVA will begin moving into the building in 2010.
 - Indianapolis will go from the 32nd largest convention city in the country to the 16th.
 - ICVA has been able to book new groups and retain customers that would have outgrown Indianapolis with the expansion.
 - Marriott Place
 - Will begin changing the landscape for Indianapolis because of its size.
 - Will result in the most connected hotel rooms to any convention facility in the country.
 - Will allow Indianapolis to go after bigger, more lucrative conventions.
- Challenges
 - Convention and Visitor Bureau's proposed budgets
 - Indianapolis has a short period of time to absorb the new supply.
 - The City is second from the bottom in terms of funding
 - The sources of revenue that the ICVA derive for funding have been relatively flat for over a decade.
- Hotel Tax Allocation
 - Hotel tax has grown from 1979 to 2007.
 - The hotel tax that the ICVA receives has been about the same since 1992.
- Facility Tax Investment
 - Any tax that had a revenue stream to the CIB, went directly to the facilities.
- Room-Night Production
 - As room-nights increase, the ICVA will not catch up to the revenues until about 2015, but the demands will not allow for that because competition is fierce.
- 2009 ICVA Budget

- Seventy-five percent of the ICVA revenue comes from their current contract with the CIB, with 2% of hotel tax and some cases of supplemental funds.
- About 800 members - hotels, restaurants, or attractions – account for 19% of the ICVA budget from a fee they pay to tap into their sales and marketing systems.

Councillor Cockrum asked Mr. Walsh to comment on a study that he has done that combines the hotel tax with the sales tax. Mr. Walsh said that even though the increase will put the City at 18%, the reality is that the ICVA feels that the additional 1% can be absorbed without deterring convention business based on an average rate of downtown Indianapolis. He said based on their data, Indianapolis will still be very competitive with comparable cities. However, the belief is that this still needs to be a regional solution.

The following citizens spoke in opposition of the proposal: Elder Lionel T. Rush, Concerned Clergy; Larry Vaughn, Concerned Clergy; Melyssa Donaghy, citizen; Wayne Kirk, Pike Township citizen, broker in the real estate industry; Matthew Stone, citizen, journalist; Ernie Shearer, citizen; Pat Andrews, Vice President, MCANA; Their key points were:

- There are questions of if the City will borrow money to cover any shortfalls if the authorized tax increase does not erase the CIB deficit.
- The time, taxes and energy being used on football and basketball stadiums should be used on life and living components of the City to reduce drugs, educate the children, save lives and lift the community standards.
- The CIB and the downtown community should reach out in a more significant and substantial way to help build communities as opposed to just images.
- The issue is about parity, and the concern should not just be about saving jobs, but also about having good working conditions for the employees that the CIB and ICVA spoke about.
 - Most of these employees are living on a poverty wage and are not insured.
- Though it is important to have a vital downtown area, there is a need to build the whole community.
- The \$20 million a year bond for the new Marriott will be added to the property tax levy and be a responsibility of the taxpayers.
- The people of the City do not want this tax increase.
- Government service enterprises do not give citizens a return on their investment.
- The economy is in bad shape and the government is borrowing money and monetizing the debt, which will result in inflation.
- The Indiana Constitution states that no county shall subscribe for stock in any incorporated company, nor shall any county loan its credit to any incorporated company, nor borrow money for the purpose of taking stock in any such company, nor shall the General Assembly ever, on behalf of the State, assume the debts of any county, city, town or township.

- Therefore, it is unconstitutional to pass this proposal, regardless of the many other things in the City that need attention such as potholes, schools, abandoned buildings, hospitals and parks.
- Emphasis needs to be put on identifying and actually fixing the problems, as opposed to getting more money.
- There have been huge missteps in the CIB's conduct of business through its history.
 - There needs to be an investigation of the CIB's history to determine where the problems begin, so that the problems will not be revisited.
 - There should also be a plan put in place for the CIB to operate with enough profit to cover the loan that is being considered from the State and keep from later raising more taxes to repay the loan.
- Ms. Andrews suggested that a possible solution of obtaining a payment in lieu of taxes from the Indianapolis Airport to give time to look at the core problems.

Elder Rush asked how social service agencies will be impacted by the action on this proposal, as families in need are sometimes placed in hotels for emergency services. Mr. Walsh answered that those persons are exempt from paying the taxes on those rooms.

Mr. Shearer asked if the CIB still maintains suites inside the Lucas Oil Stadium, the Colliseum and the Ball Park. Mr. Levengood answered in the affirmative. Mr. Shearer asked if those could also be considered for cuts. Ms. Latrop said that the CIB does not have any expenses related to those suites. Mr. Shearer asked if those suites could be rented. Mr. Levengood answered that he does not believe that their lease allows them to rent those suites, but those revenues would go to the Colts.

Councillor Plowman asked Ms. Donaghy if she can email some possible solutions, as she stated that she and a team of attorneys, as well as others, have been working on some possible solutions to this dilemma. Ms. Donaghy said that she will put Councillor Plowman in touch with an attorney named Paul Ogden.

Councillor Cockrum moved, seconded by Councillor Hunter, to "Amend" Proposal No. 285, 2009 as detailed in Exhibit D. The motion carried by a vote of 6-0.

Mr. Elrod said that when the proposal was drafted, it was unknown as to when the CIB of Managers was going to meet on the loan issue. Therefore, there should be a technical amendment to add in the date of August 10, 2009 in the "Whereas" at the bottom of the first page of the proposal.

Councillor Cockrum moved, seconded by Councillor Malone, to "Amend" Proposal No. 285, 2009 as stated by Mr. Elrod. The motion carried by a vote of 6-0.

Councillor Cockrum moved, seconded by Councillor Plowman, to forward Proposal No. 285, 2009 to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 5-1, with Councillor Mansfield casting the negative vote.

Chairman Lutz stated that he voted for this proposal because of the possibility of job loss for many working class persons. He said this proposal does not fix the problem, but it is the only solution that the City has and the City was only given 60 days to take action on the option. He read a statement from a study done in 2006. It states that "if tourism did not exist in Indianapolis, taxing authorities around Indianapolis would need to generate an average of \$613 in state and local taxes from each of the 658,423 households in Indianapolis in order to maintain the current level of tax receipts." Chairman Lutz said that he would not have supported an increase property or income taxes for the citizens of Marion County. He said that he believes that the Council would cripple the tourism industry in the City if they do not move forward with the proposal.

Councillors Pfisterer and Mansfield called for a point-of-order. Councillor Pfisterer said that she asked for a point-of-order because of the room decorum and there is a respect to be given. She said that she is sensitive to the public's feelings, and she is aware that that this is a controversial issue. Councillor Pfisterer said that she has concluded that this tax will not be primarily paid by her constituents and she is supporting this proposal because it provides jobs for the people in her district.

Councillor Cockrum said that the Council can only affect taxes as authorized by the state and legislature. He said the problem is that if the Council does not increase the taxes, they do not get the \$8 million to add to the PSDA. He said at this point, the only tax that the legislature has not increased is the Economic Development Income tax, and that would not be an option because it would impact the income of everyone that works in Marion County. He said this will affect the City for only a couple of years.

Councillor Malone said that she cannot say that the CIB runs along the core values of government and she believes that government should get out of the way of CIB. She said that she agrees that the Convention Center should be sustained, but she does not agree that some of the other venues should be sustained at the detriment of the citizens and the City. She said that she voted to go forward with the proposal, so that it can be heard before the full Council. She said that she is not pleased with the solutions that the Council has been faced with, and she believes that there are other alternatives, but this is the only option available.

PROPOSAL NO. 290, 2009 - amends Sec. 151-68 of the Council Rules to reflect legislative changes

Councillor Cockrum said that this is an administrative action, because the Legislature authorized a delay in submission of the 2010 budget from the end of September to the first of November. He said, effective this year, the Council had to review the budgets for some small elements of government in order for them to collect their funds. He said this

proposal merely allows those elements of government to delay submission of their budgets to the Council by approximately 30 days.

Councillor Cockrum moved, seconded by Councillor Plowman, to forward Proposal No. 290, 2009 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

With no further business pending, and upon motion duly made, the Rules and Public Policy Committee of the City-County Council was adjourned at 9:46 p.m.

Respectfully Submitted,

Robert Lutz, Chairman

RL/nsm

Capital Improvement Board

Fund Balance Projection

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Beginning Balance	55.466	45.809	25.145	21.464	17.832
<u>Revenues</u>					
<u>Taxes</u>					
PSDA	8.252	14.245	14.245	14.388	14.532
Hotel Motel Tax	23.153	20.597	23.701	24.412	25.633
Food & Beverage	18.180	17.130	17.130	17.644	18.526
Admissions	5.586	5.753	5.753	5.811	5.869
Auto Rental	2.178	1.855	1.855	1.874	1.911
Cigarette	<u>0.350</u>	<u>0.350</u>	<u>0.350</u>	<u>0.350</u>	<u>0.350</u>
Sub Total	57.699	59.932	63.035	64.479	66.821
<u>Other</u>					
Rental	5.826	5.180	5.180	6.653	7.984
Food Services	3.678	2.818	2.818	3.620	4.344
Labor Reimb.	8.558	8.016	8.016	10.296	12.356
Interest	2.107	0.610	0.600	0.000	0.000
Baseball	0.575	0.575	0.575	0.575	0.575
Parking	0.665	0.830	0.830	0.000	0.000
Other	<u>0.526</u>	<u>0.455</u>	<u>0.455</u>	<u>0.585</u>	<u>0.702</u>
Sub Total	21.935	18.483	18.474	21.729	25.960
New State Loan		9.000	9.000	9.000	
Old State Loan		-16.820			
Total	79.633	70.595	90.509	95.208	92.781
<u>Expenses</u>					
Current Operating	54.650	60.000	60.000	65.000	66.950
Capital	1.780	1.000	3.090	3.090	3.090
Debt Service	<u>32.860</u>	<u>30.259</u>	<u>31.100</u>	<u>30.750</u>	<u>31.000</u>
Total	89.290	91.259	94.190	98.840	101.040
Ending Balance	45.809	25.145	21.464	17.832	9.573

- Notes:
- 1) 1% increase in Hotel-Motel tax increases revenue by \$3.4 million
 - 2) 2009 Council approved operating budget was \$78.0 million
 - 3) 2009 Budget reduction expected to be \$17.0 million

The Estimated Economic Effect of the Existing and Expanded Indianapolis Convention Centers

Question: What effects do *convention attendee spending* and the *convention center operating budget* (purchases of goods and services plus staff compensation) have on economic activity and employment in Marion County? Conversely, if all convention business, or only the incremental increase in business expected from the new center, were to disappear; how much economic activity and employment would likely be lost in Marion County?

There are at least three important takeaway items from this “50,000 foot” or high-level analysis. (The figures reported below are approximates and, due to the expedited analysis, cannot be understood as the precise and final estimates.) One, the spending of out-of-state visitors who are expected to attend new convention center related events is about \$520 million. This spending supports an estimated 6,000 jobs. Two, every five of those jobs supports another job in the area. Thus, the \$520 million in spending is estimated to support over 7,400 jobs. Three, given that the approximately 950,000 out-of-state visitors expected to attend the new convention center events support an estimated 6,000 jobs, 1,000 visitors support about 6 jobs directly in tourism-related businesses—e.g., lodging, restaurants, parking garages—and support about 7.5 jobs in total in Marion County.

Analysis: As **Table 1** indicates, the existing convention center generates \$480 million in economic activity in Marion County through convention attendee spending and the center’s operating budget. Increased convention attendance and operating expenditures related to the new, expanded facility are expected to contribute approximately \$70 million more in economic activity annually. Employment, both the jobs directly tied to visitor spending and the convention center operating budget as well as the ripple effect jobs that those direct jobs support, sustained by these activities is currently estimated at 6,500 with an additional employment effect of 940 expected from the new convention center, as shown in **Table 2**.

See page 2 for the assumptions and sources supporting this analysis.

Table 1: Economic Effect Estimates of Convention Center-Related Spending
(millions of 2007 dollars)

Economic Output Effects on Marion County	Existing Convention Center	Incremental Change	Expanded Convention Center
Visitor Spending Impacts	\$453	\$ 67	\$519
Operating Budget Impacts	27	2	29
Total Impacts	\$480	\$ 69	\$548

Table 2: Employment Effects of Convention Center-Related Spending

Employment Effects [§] on Marion County	Existing Convention Center	Incremental Change	Expanded Convention Center
Visitor Spending Impacts	6,330	930	7,260
Operating Budget Impacts	160	10	170
Total Impacts	6,490	940	7,430

§ The sum of both Direct and Ripple Effects

Table 3: Estimates of Economic and Employment “Footprint” of New Convention Center

Effects on Marion County	Direct Effects	Ripple Effects	Total Footprint
Economic Output (in millions)	\$381	\$167	\$548
Employment	6,040	1,390	7,430

Table 4: State and Local Tax Effects (in millions)

	Existing Convention Center	Incremental Change	Expanded Convention Center
Visitor Spending Impacts	\$32.3	\$4.8	\$37.1
Operating Budget Impacts	0.8	0.07	0.87
Total Impacts	33.1	4.9	38.0

Table 3 reports the economic footprint of the new convention center differently than **Table 2**. It reports the economic output and employment in terms of the direct and the ripple effects. As the attached Appendix explains, the ripple effects are associated with the re-spending of the income of households of the employees that serve visitors.

Table 4 reports the tax effects of visitor spending. Visitors pay sales tax. Households of the employees serving those visitors pay sales tax, property taxes, and state and county income taxes. Local businesses pay business taxes and property taxes. All told, the tax effects sum to approximately \$38 million.

Assumptions

The estimates of economic effect were based on two types of spending: annual conference attendee spending (e.g. lodging, meals, entertainment, shopping, etc.) and annual convention center operating expenditures on the purchase of goods and services and employee compensation.

Conference attendee spending was generated by estimating annual attendance and annual direct spending of attendees. The estimates and their sources are detailed below:

- **Existing Convention Center Attendance:** 835,000 annually.
This figure largely reflects attendance for national and regional events tracked by the Indianapolis Convention & Visitors Association (ICVA). It is assumed that these are out-of-state visitors. Not represented are many events held at the convention center and/or Lucas Oil Stadium that serve predominantly a local audience.
Source: Impact of Indianapolis Tourism on State of Indiana, ICVA, 5/1/2009
- **Incremental Increase in Attendance for New Convention Center:** 123,000 annually.
This estimate represents the midpoint of an increased attendance range of 108k – 138k.
Source: Indiana Convention Center and RCA Dome Expansion Study, PricewaterhouseCoopers, 3/8/2004
- **Average Direct Spending per Attendee:** \$535 (spread over an average of 2.9 days)
Figure derived from convention center event bookings and spending estimates tracked by the ICVA. The booking period covers 7/1/2009 – 12/31/2009.
Source: ICVA
- **Convention Center Operating Budget:** existing center - \$63 million, new center - \$68 million.
Source: CIB staff estimates.

The effects of this spending were analyzed in the IMPLAN economic impact modeling software to produce estimates of the economic activity and employment footprint of the existing and new convention centers.

APPENDIX: About IMPLAN Economic Impact Modeling Software

Minnesota IMPLAN Group, Inc. (MIG) is the company responsible for the production of IMPLAN data and software. Using classic input-output analysis, IMPLAN can be used to measure the effect on a regional or local economy of a given change or event in the economy's activity. It also allows the user to build economic models estimating the effects of a proposed industry or economic change in a specific economic region.

How did IMPLAN come to be?

In the late 1970s and 1980s, the United States Department of Agriculture's Forest Service found itself wrestling to answer questions about the economic impact of its work. Legislation required the forest service to report annually on the impact of its activities. So the forest service had developed a mainframe computing tool called IMPLAN, short for "impact analysis for planning." Then it developed a DOS version of the software that could run on PCs.

In 1989, it needed help constructing better economic data sets—production, value-added, employment, wage, and supplier data—that it could run through the software to better demonstrate how forest service activities were affecting local economies. For help, the agency turned to Wilbur Maki, a University of Minnesota economics professor who'd worked on forestry issues in the past. Maki, in turn, called on his research assistants, Scott Lindall and Doug Olson.

In 1993, Lindall and Olson negotiated with the University of Minnesota and the forest service to spin off the economic databases they'd helped to develop and the technology they'd used to do it. They overhauled their earlier work and established a private company to sell it, the Minnesota IMPLAN Group. Their mission has been to provide affordable, user-friendly software and economic data that their clients can use to study regional economies—not just the effects of lost logging business, but what tourism or manufacturing contributes to the economy, what the results of increased or decreased product demand or employment in a particular industry will be, or how effective government spending is in bringing about economic development.

Minnesota IMPLAN Group doesn't stake out a position on any of these questions, and it doesn't try to generate answers. It's neutral on the issues its clients are studying. IMPLAN software and the economic data that the company aggregates from government sources and sells to clients for their economic calculations are agnostic on the questions they're used to answer. But the numbers that IMPLAN yields for clients—the number of jobs that ethanol production is projected to bring to a state, the dollars of spending that a casino is expected to generate in the local economy—those numbers are hardly ever neutral. Minnesota IMPLAN Group isn't in the advocacy business, but its clients are: government agencies, nonprofits, industry associations, independent consultants.

The economic theory behind IMPLAN

IMPLAN is built on a mathematical input-output (I-O) model developed by Wassily Leontief, the 1973 Nobel laureate in economics, to express relationships between sectors of the economy in a chosen geographic location. In expressing the flow of dollars through a regional economy, the input-output model assumes fixed relationships between producers and their suppliers based on

demand. It also omits any dollars spent outside of the regional economy—say, by producers who import raw goods from another area, or by employees who commute and do their household spending elsewhere.

The idea behind input-output modeling is that it's the inter-industry relationships within a region that largely determine how that economy will respond to change. In an I-O model, the increase in demand for a certain product or service causes a multiplier effect, layers of effect that come in a chain reaction. Increased demand for a product affects the producer of the product, the producer's employees, the producer's suppliers, the supplier's employees, and so on, ultimately generating a total effect in the economy that is greater than the initial change in demand. Say demand for Andersen Windows' wood window products increases. Sales grow, so Andersen has to hire more people, and the company may buy more from local vendors, and those vendors in turn have to hire more people... who in turn buy more groceries. The ratio of that overall effect to the initial change is called a regional multiplier and can be expressed like this:

$$(\text{Direct Effect} + \text{Ripple Effects}) / (\text{Direct Effect}) = \text{Multiplier}$$

The term “multiplier” can't be used generically, though. Multipliers always express the ratio of overall effect to initial change by one of three measures: output (dollars' worth of production), labor income, or jobs generated. So there are output multipliers, income multipliers, and employment multipliers. In gauging economic effects, one must be careful about which multiplier is being talked about. Users of IMPLAN or of any input-output model have to make the determination of what the initial change in the economy is—that is, whether they want to study a change in production, labor income, or employment. In general, output multipliers range between 1.3 to 1.8. But employment and labor-income multipliers can bounce around a lot more, depending on production and wage-per-worker data for a given industry and geographic region. Multipliers are very industry-sector and region specific.

As for defining those sectors, Leontief identified just 10 back when he first started working on input-output modeling in the 1920s. Today, Minnesota IMPLAN Group differentiates in its software and data sets between 509 sectors that are recognized by the U.S. Department of Commerce. Each sector has a unique output multiplier, because each industry sector has a different pattern of purchases from firms inside and outside of the regional economy. (The output multiplier is in turn used to calculate income and employment multipliers.)

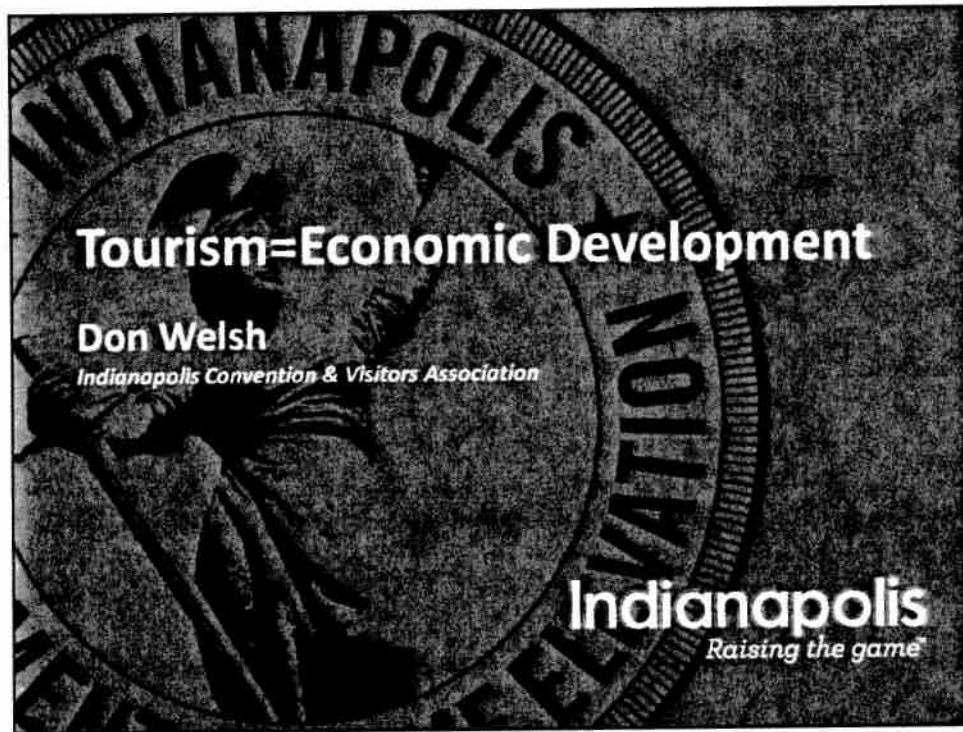
Estimating a multiplier is not the end goal of IMPLAN users. Most wish to estimate other numbers and get the answers to the following questions: How many jobs will this new firm produce? How much will the local economy be affected by this plant closing? What will the effects be of an increase in product demand? Based on those user choices, IMPLAN software constructs “social accounts,” which are mathematical representations of economic interactions—the flow of dollars from purchasers to producers within the region. The data in those social accounts will set up the precise equations needed to finally answer those questions users have—about the impact of a new company, a plant closing, or greater product demand—and yield the answers.


Economists typically construct input-output models using aggregated production, employment, and trade data from local, regional, and national sources, such as the U.S. Census Bureau's annual *County Business Patterns* report, and the U.S. Bureau of Labor Statistics' annual report called *Covered Employment and Wages*. The IMPLAN database contains county, state, ZIP code, and federal

economic statistics which are specialized by region, not estimated from national averages. Minnesota IMPLAN Group has data sets for the entire United States for the years 1990 through 2007. In addition to gathering enormous amounts of data from government sources, the company also estimates some data where they haven't been reported at the level of detail needed (county-level production data, for instance), or where detail is omitted in government reports to protect the confidentiality of individual companies whose data would be easily recognized due to a sparse population of businesses in the area.

IMPLAN's accessibility and ease of use also make it a target of criticism by some economists, who charge that in the wrong hands, the software—or any input-output model—will produce inflated results at best, and at worst, completely ridiculous projections. Anyone can point and click their way to an outcome without fully understanding the economics in which the tool is grounded and without knowing how to look at data sets with a nuanced eye. The IBRC has two analysts that have attended advanced training in the use of the IMPLAN modeling software. The estimates that the IBRC analysts generate are pressure-tested and triple-checked to ensure that they are accurate and reflect the most trustworthy application of the modeling software. In all instances, the most conservative estimation assumptions and procedures are used to produce the IMPLAN results.

Most of the above IMPLAN software description was culled from the magazine article “The Number Machine,” *Twin City Business*, February 2008. It can be found online at: <http://www.tcbmag.com/features/features/95796p1.aspx>.






INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION

ICVA Mission

Advance Indianapolis tourism and economic growth


- *Marketing arm for the CIB*
- *Marketing arm for the city*
- *Established in 1923*
- *Indiana non-profit corporation 501(c)6*


Indianapolis
Raising the game


**INDIANAPOLIS**
DEPARTMENT OF GAME ELEVATION


What Does ICVA Do?

- Increase number of visitors to Indianapolis


**Hotels**

**Restaurants**

**Arts & Attractions**

**Airport**

Indianapolis
Raising the game

**INDIANAPOLIS**
DEPARTMENT OF GAME ELEVATION

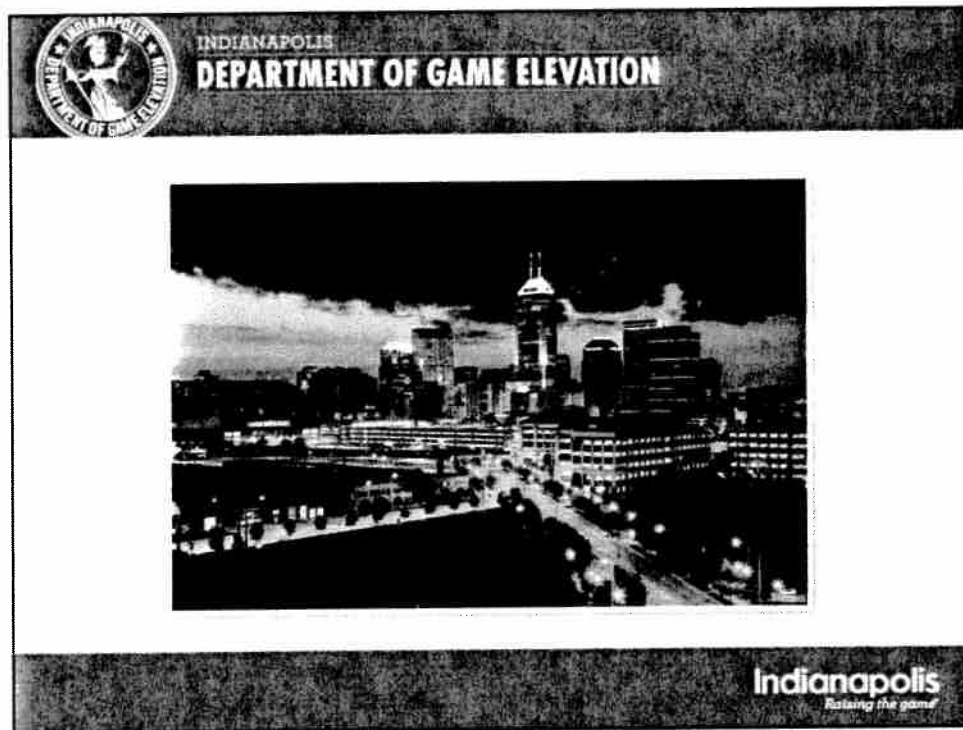
Naptown


India-no-place

Sidewalks rolled up at 6:00 p.m.

2 restaurants




Indianapolis
Raising the game

A banner for the Indianapolis Department of Game Elevation. It features the same circular seal and header text as the first banner. Below the header, the text "What We've Become" is followed by the statistics "\$3.56 billion industry" and "22 million visitors". Below the text are three small, square black and white photographs: the first shows a person in a dark setting, the second shows a modern building interior, and the third shows a group of people. The Indianapolis logo and tagline are in the bottom right corner.


**INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION**

What We've Become

\$225 million in state taxes
\$174 million in local taxes






Indianapolis
Raising the game



**INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION**



What We've Become


66,000 jobs



Indianapolis
Raising the game

 INDIANAPOLIS DEPARTMENT OF GAME ELEVATION			
Indianapolis Tourism Industry			
Township	Jobs from Sample	Percentage of Total	Township Employment Population
Center	261	7%	4,663
Decatur	161	4%	2,665
Franklin	168	4%	2,665
Lawrence	248	6%	3,997
Perry	296	8%	5,330
Pike	258	7%	4,663
Warren	198	5%	3,331
Washington	736	19%	12,658
Wayne	600	15%	9,993
Total Marion County	2,926	74%	49,300
			

 INDIANAPOLIS DEPARTMENT OF GAME ELEVATION	
<i>Conventions & Meetings (2000-2008)</i>	
<ul style="list-style-type: none"> • 40 citywide conventions • 525,000 room-night capacity • \$420 million in direct spending 	
	




INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION

Leisure (2008 Results)

- Chicago, Cincinnati, St. Louis and Louisville
- \$186 million in direct spending
- \$251 of direct spending for every ad dollar
- 342,621 room-nights

Indianapolis
Raising the game

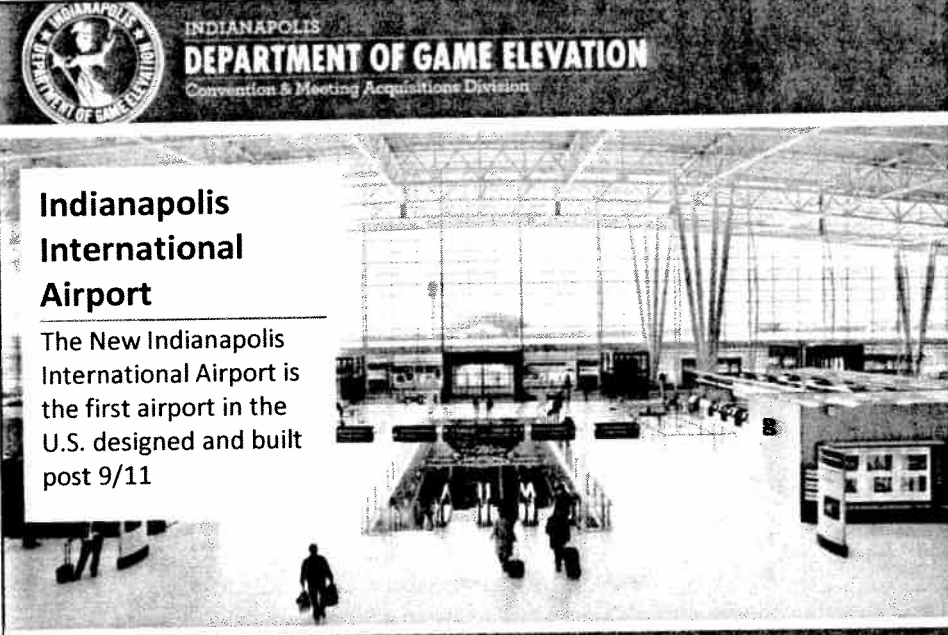


INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION

Raising the game

Around the world, Indianapolis' name is synonymous with the very spirit of competition. With every structure we build, every event we stage, and every attraction we display, we set new national standards: always planning ahead for our next big opportunity—and consistently raising the game.

Indianapolis
Raising the game

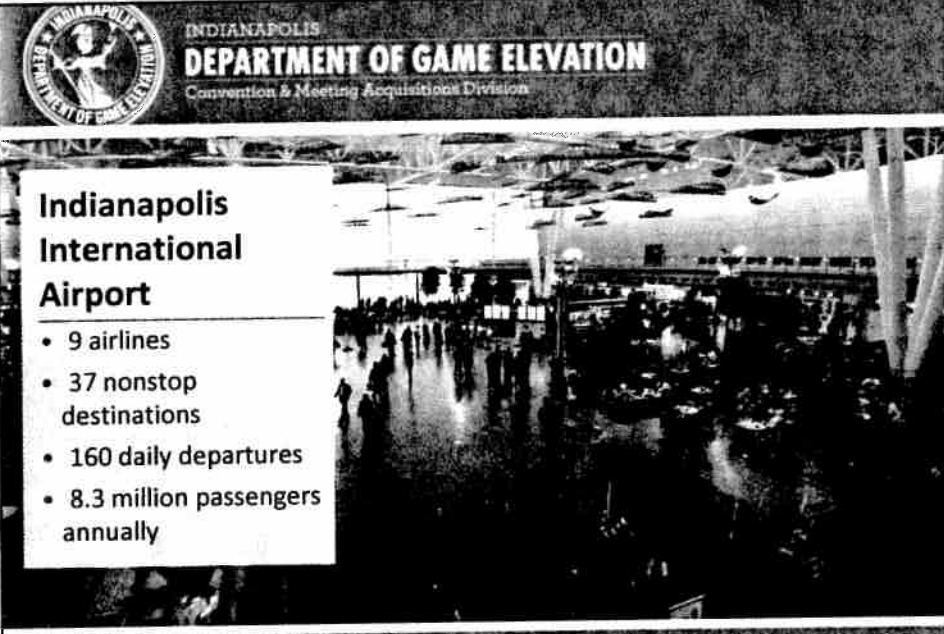


INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION
 Convention & Meeting Acquisitions Division

Indianapolis International Airport

The New Indianapolis International Airport is the first airport in the U.S. designed and built post 9/11

Indianapolis
Building the game!



INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION
 Convention & Meeting Acquisitions Division

Indianapolis International Airport

- 9 airlines
- 37 nonstop destinations
- 160 daily departures
- 8.3 million passengers annually

Indianapolis
Building the game!

INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION
Convention & Meeting Acquisitions Division

Lucas Oil Stadium

- \$675 million multi-functional venue opened in 2008
- Colts use stadium 20 days a year
- Conventions use the stadium 69 days a year

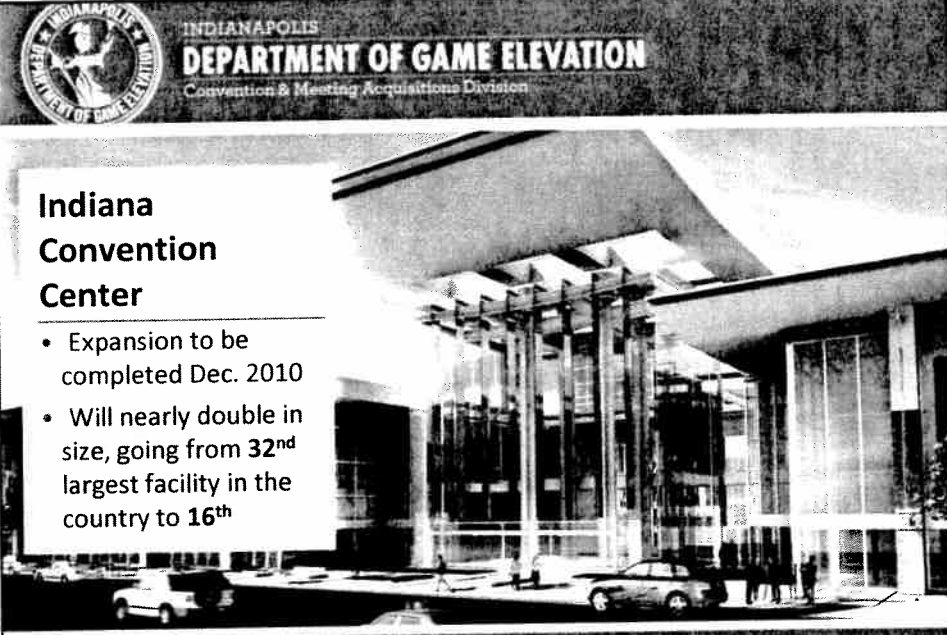
Indianapolis
Raising the game

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Convention & Meeting Acquisitions Division

Lucas Oil Stadium

- 179,000 square feet of exhibit space
- 12 meeting rooms

Indianapolis
Raising the game

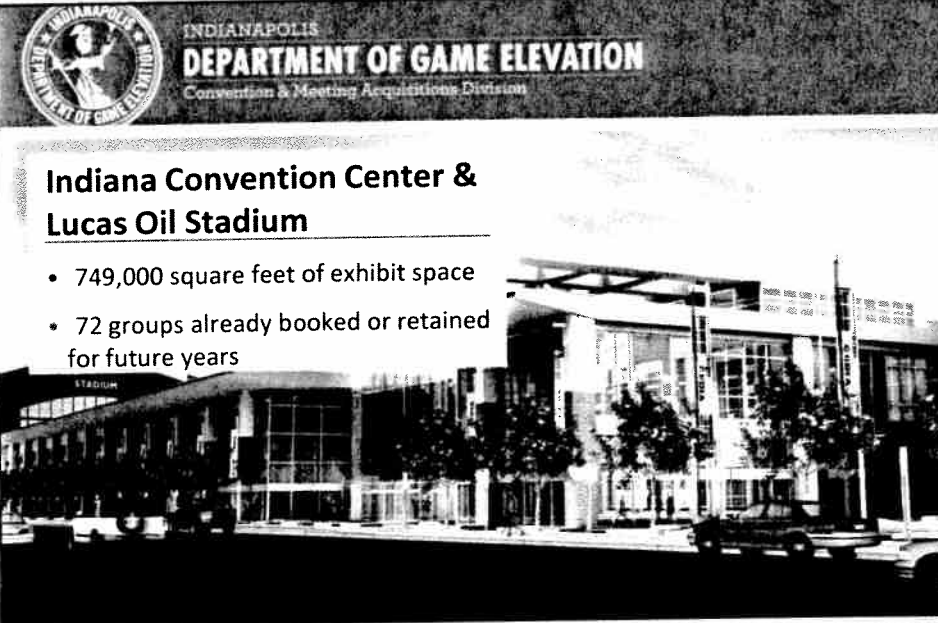


INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION
Convention & Meeting Acquisitions Division

Indiana Convention Center

- Expansion to be completed Dec. 2010
- Will nearly double in size, going from 32nd largest facility in the country to 16th

Indianapolis
Raising the game

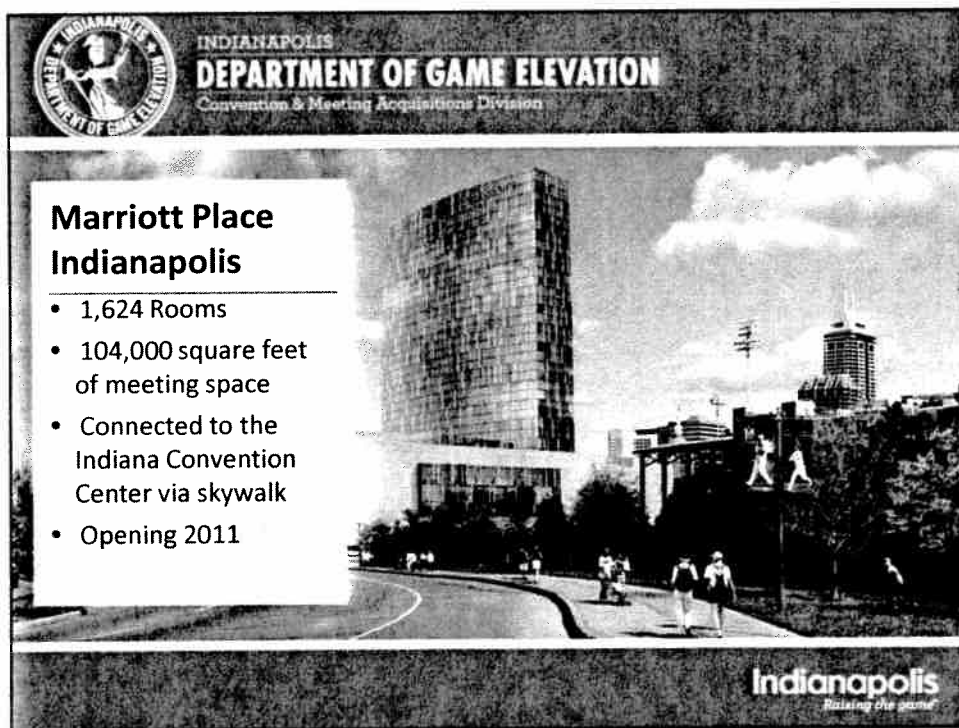


INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION
Convention & Meeting Acquisitions Division

Indiana Convention Center & Lucas Oil Stadium

- 749,000 square feet of exhibit space
- 72 groups already booked or retained for future years

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Raising the game

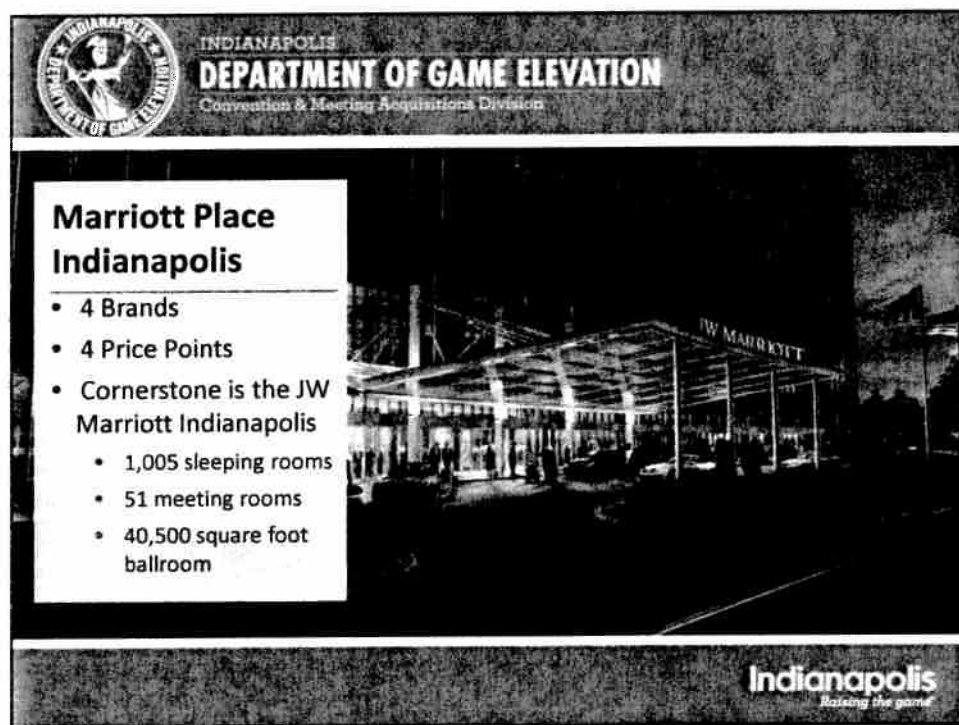


INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION
Convention & Meeting Acquisitions Division

**Marriott Place
Indianapolis**

- 1,624 Rooms
- 104,000 square feet of meeting space
- Connected to the Indiana Convention Center via skywalk
- Opening 2011

Indianapolis
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INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION
Convention & Meeting Acquisitions Division

**Marriott Place
Indianapolis**

- 4 Brands
- 4 Price Points
- Cornerstone is the JW Marriott Indianapolis
 - 1,005 sleeping rooms
 - 51 meeting rooms
 - 40,500 square foot ballroom

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**INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION**

Indianapolis Tourism Industry

Conventions are **BIG BUSINESS** for Indy

\$600 million - *Estimated annual spending for conventions and events after expansion*

Indianapolis
Raising the game

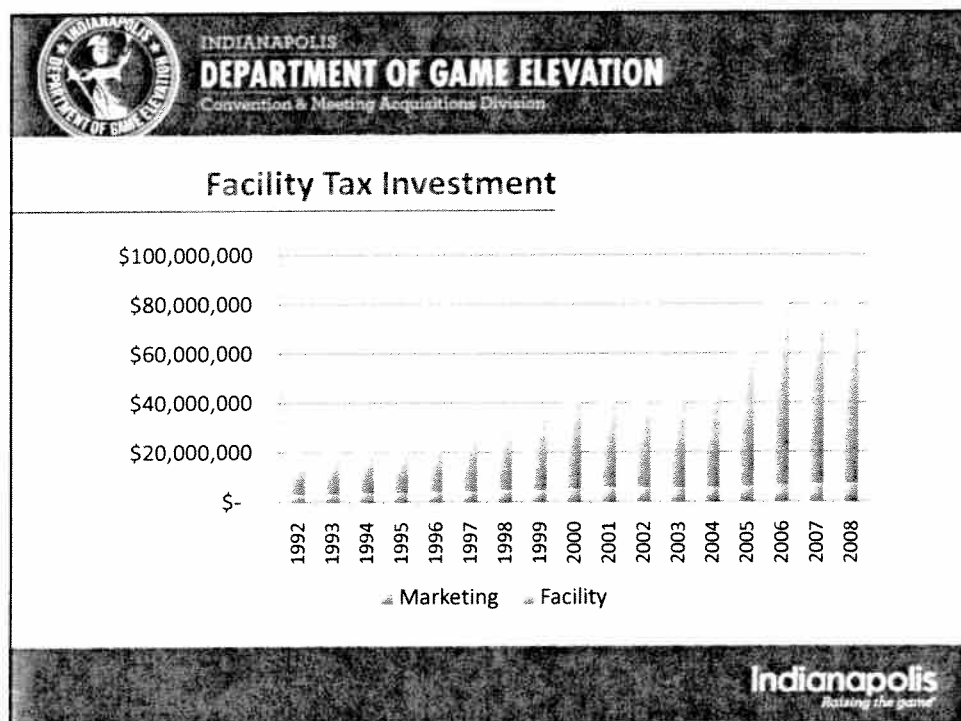
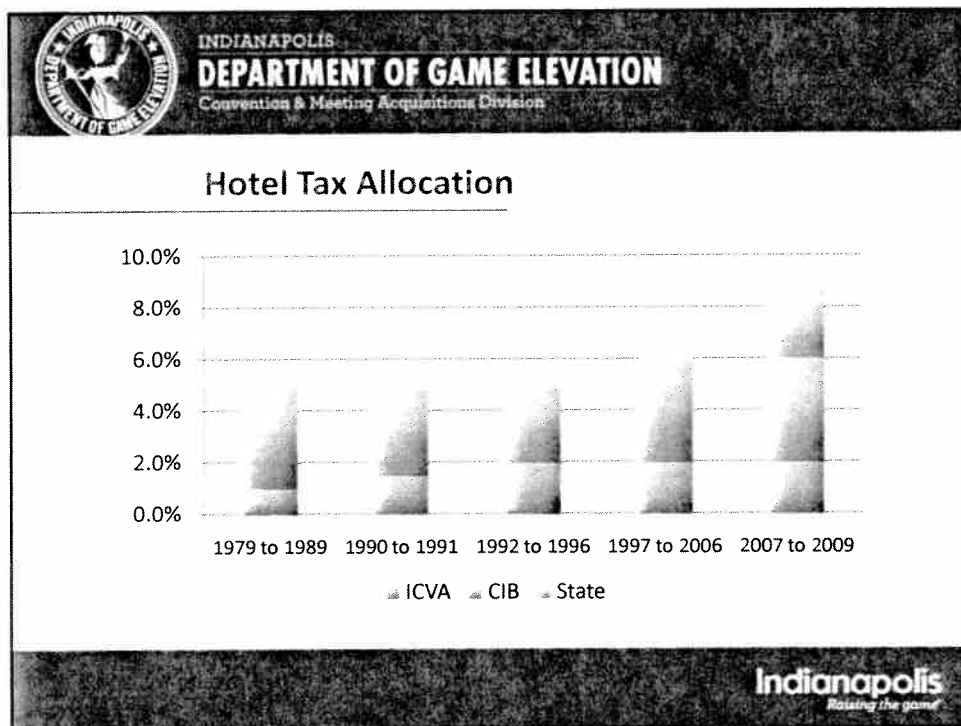


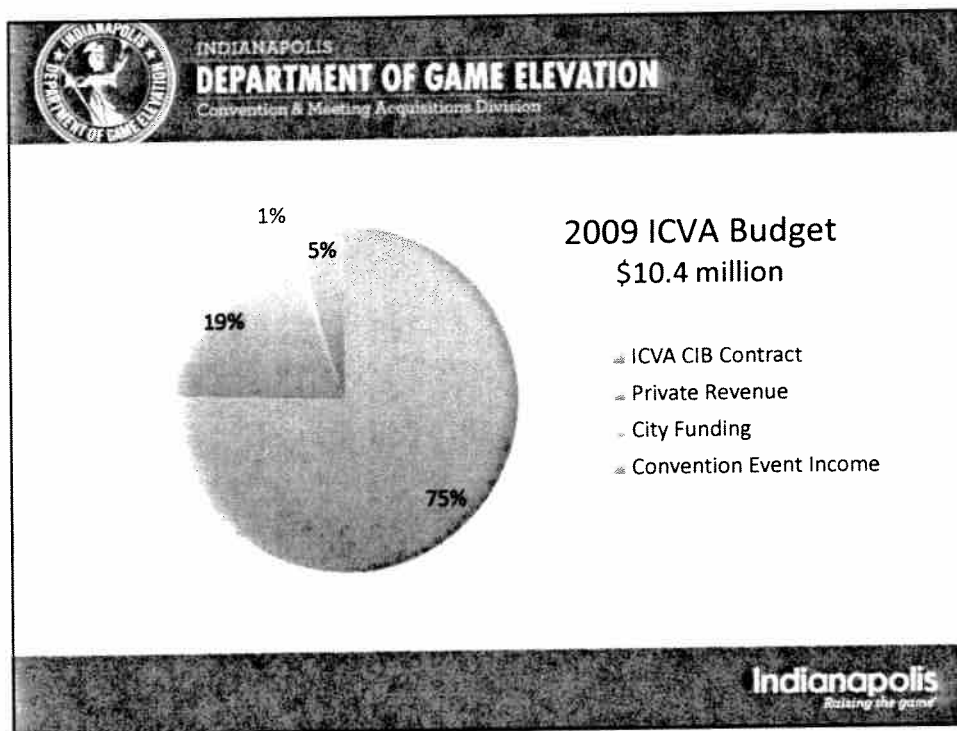
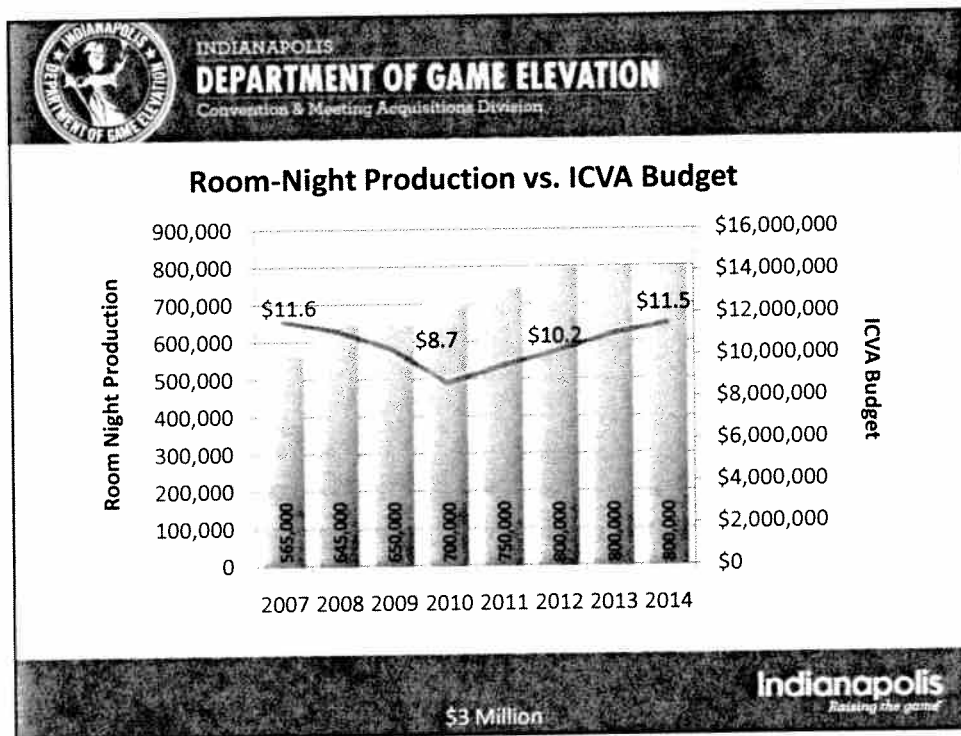
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DEPARTMENT OF GAME ELEVATION**


2009 CVB Proposed Budgets (millions)

San Antonio	\$20.0	Seattle	\$13.5
Atlanta	\$19.3	Chicago	\$13.0
Denver	\$16.3	Philadelphia	\$12.3
Houston	\$15.5	Nashville	\$12.2
Dallas	\$15.0	Pittsburgh	\$11.0
St. Louis	\$15.0	Kansas City	\$10.7
Louisville	\$13.9	Indianapolis	\$10.3
Boston	\$13.5	Minneapolis	\$9.6

Indianapolis
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INDIANAPOLIS
DEPARTMENT OF GAME ELEVATION
Convention & Meeting Acquisitions Division

Now is the Time!
Say "Yes" to the 1%

Thank you for your support.

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Raising the game™

learn more at:
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COMMITTEE AMENDMENT

Mr. Chairman:

I move to amend Proposal No. 285, 2009, by inserting in Section 1 at the end of Sec. 161-101, the following language:

The "Prior Tax Area" as defined by the Metropolitan Development Commission, acting as the Redevelopment Commission of Marion County, on June 4, 1997, in its duly adopted Resolution No. 97-D-052 (the "Original Resolution"), thereby declaring an area in Marion County, Indiana (the "County"), designated as the "Marion County Professional Sports Development Area" and approving the "Marion County Professional Sports Development Area Plan," among other things, as was amended and supplemented on August 17, 2005, by the Commission's duly adopted Resolution No. 05-B-018 (the "First Supplemental Resolution" and an area in Indianapolis, Indiana, bounded on the east by Illinois Street, on the south by Maryland Street, and on the west and north by Washington Street, as those streets were located on June 1, 2009 (the "2009 Tax Area Addition)



Councillor